



Billing Code: 6714-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

Notice of the FDIC's Response to Exception Requests Pursuant to Recordkeeping for Timely Deposit Insurance Determination

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Notice of the FDIC's response to exception requests pursuant to the Recordkeeping for Timely Deposit Insurance Determination rule.

SUMMARY: In accordance with its rule regarding recordkeeping for timely deposit insurance determination, the FDIC is providing notice to covered institutions that it has granted a time-limited exception concerning the information technology system requirements and general recordkeeping requirements for certain accounts that require data cleanup, system updates, or customer outreach to make a deposit insurance determination and a time-limited exception from information technology system requirements and general recordkeeping requirements for certain internal (work-in-process) accounts that require an additional 24 hours (48 hours in total) post failure to obtain beneficial ownership information from internal business lines necessary to make a deposit insurance determination.

DATES: The FDIC's grants of exception relief were effective as of May 28, 2020.

FOR FUTHER INFORMATION CONTACT: Benjamin Schneider, Section Chief,
Division of Complex Institution Supervision and Resolution; beschneider@fdic.gov;
917-320-2534.

SUPPLEMENTARY INFORMATION: The FDIC has granted two exception requests pursuant to the FDIC's rule entitled "Recordkeeping for Timely Deposit Insurance Determination," codified at 12 CFR part 370 (part 370).¹ Part 370 generally requires covered institutions to implement the information technology system and recordkeeping capabilities needed to quickly calculate the amount of deposit insurance coverage available for each deposit account in the event of failure. Pursuant to section 370.8(b)(1), one or more covered institutions may submit a request in the form of a letter to the FDIC for an exception from one or more of the requirements of part 370 if circumstances exist that would make it impracticable or overly burdensome to meet those requirements. Pursuant to section 370.8(b)(3), a covered institution may rely upon another covered institution's exception request which the FDIC has previously granted by notifying the FDIC that it will invoke relief from certain part 370 requirements and demonstrating that the covered institution has substantially similar facts and circumstances to those of the covered institution that has already received the FDIC's approval. The notification letter must also include the information required under section 370.8(b)(1) and cite the

¹ 12 CFR part 370.

applicable notice published pursuant to section 370.8(b)(2). Unless informed otherwise by the FDIC within 120 days after receipt of a complete notification for exception, the exception will be deemed granted subject to the same conditions set forth in the FDIC's published notice.

These grants of relief may be rescinded or modified upon material change of circumstances or conditions related to the subject accounts, or upon failure to satisfy conditions applicable to each. These grants of relief will be subject to ongoing FDIC review, analysis, and verification during the FDIC's routine part 370 compliance tests. The following exceptions were granted by the FDIC as of May 28, 2020.

I. Certain deposit accounts for which the Covered Institution's information technology system is not capable of completing deposit insurance calculation process because additional time is required for data clean up, system updates, and customer outreach.

The FDIC granted a time-limited exception from the information technology requirements set forth in section 370.3 and general recordkeeping requirements set forth in section 370.4(a) of the rule to allow a covered institution to perform data cleanup, system updates, or customer outreach for certain legacy deposit accounts (including a limited number of joint accounts, formal trust accounts, informal revocable trust accounts, accounts with limited instances of erroneous or missing data, and government accounts) so that the covered institution's deposit account records and part 370-compliant IT system capabilities can be used to calculate deposit insurance for those accounts. The covered institution did not collect, or have a mechanism to collect, such account

information prior to the FDIC's adoption of part 370 and anticipates that it may not be able to collect such information before its compliance date.

In connection with the FDIC's grant of relief, the covered institution has represented that it will confirm evidence of joint ownership for a limited number of joint accounts; review records and obtain the number of beneficiaries for informal revocable trusts accounts; classify formal trust accounts with the proper ownership, right and capacity code; review and update records for accounts with missing or incomplete information in limited instances; obtain official custodian information needed to calculate deposit insurance coverage for government deposit accounts; and perform system updates. The covered institution will also perform, when necessary, customer outreach to update deposit records for the subject accounts. As conditions of relief, the covered institution will ensure that holds can be placed on all deposit accounts subject to this time-limited exception in the event of its failure until sufficient information is obtained to enable calculation of deposit insurance coverage; submit a status report to the FDIC when deemed appropriate by the FDIC during the exception relief period; and immediately notify the FDIC of any change in relevant circumstances or conditions.

II. Certain internal accounts that require an additional 24 hours post failure for the Covered Institution to obtain beneficial ownership information from internal business lines necessary to make a deposit insurance determination

The FDIC granted a time-limited exception from the information technology requirements set forth in section 370.3 and general recordkeeping requirements set forth

in section 370.4(a) of the rule for certain internal (work-in-process) accounts that will require an additional 24 hours (48 hours in total) post failure to obtain beneficial ownership information from internal business lines necessary to make a deposit insurance determination. The covered institution identified these internal accounts as accounts utilized for functions such as clearing, settlement, suspense, funding, transfers, escheatment, holding unclaimed property or seized assets, garnishment, work-in-process, or other functions where an institution acts as an intermediary to facilitate a transaction. Such accounts do not qualify for alternative recordkeeping and most transactions in the accounts settle more than 48 hours after initiation of the instruction.

In connection with the FDIC's grant of relief, the covered institution described the internal (work-in-process) accounts in detail, including, account titling, the number of accounts, account balances, data and trends regarding transaction settlement cycles, business-as-usual processes in place, funds above and below \$250,000, and zero-balance accounts. The covered institution has represented that it will maintain the capability to place holds on the deposit accounts subject to the exception in the event of its failure until a deposit insurance determination can be made; place all such accounts into the pending file of the covered institution's part 370 output files; document procedures and processes to upload the data into the covered institution's deposit insurance calculation engine; and certify that the covered institution can obtain information from internal business lines necessary to make a deposit insurance determination within 48 hours after appointment of the FDIC as receiver. As conditions of relief, the covered institution will be capable of conducting a deposit insurance determination for all subject internal accounts within 48

hours after appointment of the FDIC as receiver; provide annually, data regarding the number of and amount of deposits held in such covered internal accounts; provide a final copy of the documentation that describes the processes put in place to obtain beneficial ownership information necessary to make an insurance determination within 48 hours of failure for the internal accounts; make reasonable efforts, in the ordinary course of upgrading its information technology systems, to implement an information technology solution that would permit a deposit insurance determination for the excepted accounts within 24 hours; and immediately bring to the FDIC's attention any change of circumstances or conditions.

Federal Deposit Insurance Corporation.

Dated at Washington, DC, on May 29, 2020.

Robert E. Feldman,

Executive Secretary.

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